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71
April 25, 1991

46

P B1
A5

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EXCISE

PRC: URBAN FOOD PRICE HIKES

The Chinese government announced yesterday that on May 1 it would raise, for the first time in 25 years, state-set prices for nine basic foods sold at subsidized prices in state stores, according to press reports. In partial compensation, workers will receive a slight increase in their monthly paychecks.

Comment:

B1 A5

The government has widely publicized the need to reduce the heavy burden price subsidies place on the state budget, and the price hikes will not significantly crimp workers' living standards. Most Chinese purchase foodstuffs on the free market, where prices are higher but quality is better. Only state workers and citizens registered to live in cities receive coupons needed to buy rationed foodstuffs in state stores.

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(For related information, see Analysis, page 11.)

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